

## **Section 8**

# **VENDOR MONITORING**

## Vendor Monitoring

Execution of the Contract authorizes the Department to perform any and/or all monitoring as the Department deems appropriate. The Department contractor will visit each Vendor prior to, or at the time of, initial authorization. Vendors may be selected for monitoring based on their volume of WIC program sales, past program abuse, history of unusually high prices of authorized foods, complaints, availability or variety of authorized foods, submission of suspicious food instruments or other concerns of the Department. In addition, the Department and contractor may conduct follow-up visits on Vendors who are reported on the Arizona WIC Program Participant Reporting Card or the Arizona WIC Program Vendor/Client Contact/Training form.

The Arizona WIC Program monitors all authorized Vendors to assure that they understand the WIC program's rules, regulations and procedures. Both the Department and contractor may monitor Vendors through, but are not limited to, the following measures:

- Vendor Site Review
- Reject food instrument report review
- Compliance buys
- Inventory audits
- WIC participant/authorized representative and clinic complaints

When WIC program rules are not followed or when WIC abuse is detected, sanctions or possible disqualifications may be imposed based on the severity of the abuse (See Violations and Sanctions).

## Vendor Site Review

A Vendor Site Review is an unannounced on-site visit. These visits are unannounced because, if an appointment is made, the Vendor may be well stocked, but may not have adequate WIC stock when the participant/authorized representative redeems food instruments. Appointments may be made for training purposes only. As outlined in the Vendor contract, the Vendor cannot refuse to allow a Vendor Site Review to be conducted. A Vendor Site Review may be conducted at any time the Vendor is open for business.

There are four types of Vendor Site Reviews:

1. Initial: First time visit for a new Applicant or change of owner;
2. Initial follow-up: Follow-up visit for a new Applicant or change of owner that did not meet the required minimum WIC stock during the above-mentioned Initial visit;
3. Representative: Chosen at random;
4. High risk: Identified by high prices, low inventory, participant/authorized representative complaints, food instrument rejections, sanitation issues, etc.

Vendor Site Reviews will be conducted by contracted and Department personnel as follows:

1. At a minimum, annually during each federal fiscal year (October through September) for each Vendor outlet;
2. The above-mentioned minimum Vendor Site Reviews will not include initial reviews or Vendor Site Reviews requested by the Department;
3. For other than the initial Vendor Site Reviews, the Department will be responsible for Vendor Site Review monitoring at military commissaries and pharmacies.

Vendor Site Reviews will be conducted with corrective action follow-up completed within thirty (30) calendar days (unless the Vendor is under sanction). Training and education to participating Vendors will be provided at the time of the visit. Vendor site Reviews will be used to substantiate abuse and fraud under the Violations and Sanctions established in this Manual. The Vendor Site Review form will document the following information:

1. Reason(s) for the review;
2. Statement of problems/deficiencies identified on a previous Vendor Site Review conducted or complaints experienced by WIC participants/authorized representatives or WIC staff;
3. Current Vendor prices for WIC foods offered whether or not the prices are documented on the shelf;
4. Examination of Arizona WIC Program food instruments in the possession of the Vendor at the time of the site review for proper completion of food instrument redemption requirements;
5. Corrective action taken by the Vendor since the last visit when problems or deficiencies were noted (during current or prior federal fiscal year);
6. Corrective action recommended and target correction date of current visit;
7. Training and/or counseling given on proper WIC policies and procedures;
8. Vendor comments and, if applicable, must include how the Vendor plans to correct deficiencies found;
9. If no deficiencies are found, the following statement will be documented on the form: "Did not have any discrepancies uncovered during this review", with the date of the review entered by the reviewer.

Upon arrival at the Vendor's location, the WIC representative will document the time, look for the WIC Decal, and determine whether there is appropriate wheelchair access to the store. The WIC representative will introduce him/herself to the manager or person in charge and discuss the purpose of the visit and explain what he/she will be doing. If a WIC Decal was not displayed, the WIC representative will provide the store representative with two (2) WIC decals (one English and one Spanish) and ask that the decals be posted before the end of the on-site visit.

The following items will be checked during the store visit:

1. WIC foods – All quantities, sizes, brands, varieties, and highest shelf price listed on the Price/Stock form for all WIC foods offered – both on the shelf and in-store storage;
2. Prices – Prices should be clearly marked on the merchandise or shelf;
3. Store sanitation – Current Health Operating Permit which is posted and current, freezer and refrigeration temperatures, and clean appearance of the store;
4. Treatment of WIC participants/authorized representatives/personnel – Observe attitude of Vendor's employees toward WIC participants/authorized representatives, if possible, and WIC personnel;
5. ADA compliance – Observe compliance with the American's With Disabilities Act. For example, if you were wheelchair bound would you have access to WIC foods (access would include the ability to request a store clerk to obtain a WIC food that is unreachable).
6. Food instruments – Review food instruments in the possession of the Vendor to determine if proper redemption procedures are being followed. If the store is large, request food instruments from at least one cash register.
7. WIC ID Stamp – Observe the condition of the Vendor's WIC ID stamp(s).

Upon completion of the review, the following items will be discussed with the store representative:

1. The food instruments reviewed, indicating proper or improper redemption procedures;
2. Vendor ID stamp(s) which is/are not legible;
3. Results of the Vendor Site Review, indicating any deficiencies found and/or corrective action taken from a previous site visit, if applicable;
4. Any questions, problems, or suggestions regarding the Arizona WIC Program;
5. When deficiencies are found, the store representative will be advised that a follow-up visit will be conducted.

The store representative will be asked to sign the form, to document any comments, and may be asked to explain how the corrective action will be implemented. The pink copy of the Vendor Site Review form will be left with the store representative at the time of the visit and a copy will be mailed to a chain store's corporate office or to the headquarter's office of the store outlet, when more than one outlet is covered by the Contract. The original Vendor Site Review form will be on file at the Department to prove that the Vendor has received training and/or counseling.

Training and education will include the following:

- Review of proper program procedures and/or requirements as indicated in the Vendor Contract and/or Vendor Manual
- Review approved and non-approved foods
- Review Vendor practices
- Discuss problem areas, expected compliance, and how the Vendor plans to correct deficiencies, if applicable
- Discuss sanctions that may be applied
- Inform Vendor of who to contact for questions regarding the Arizona WIC Program

The Department will analyze the completed Vendor Site Review form for the following:

1. Condition of the Vendor ID stamp;
2. Vendor food instrument redemption procedure training necessary for discrepancies noted when reviewing food instruments;
3. Whether corrective action of previous visit(s) was implemented;
4. Current corrective action necessary;
5. Vendor comments;
6. Need for materials and/or additional training for staff;
7. Non-compliance with minimum stock requirements;
8. Price increases or decreases;
9. Sanitary conditions of the store;
10. Physical inventory to substantiate food instrument redemptions;
11. Whether the Vendor is subject to sanctions (See Violations and Sanctions).

### Rejected Food Instrument Review

The Department will review the Vendor reject report as necessary to ensure that the Vendor is following the correct food instrument redemption procedures. The report documents the food instruments rejected for payment by the Vendor and the reason for the rejection. The report will be analyzed to determine if the program error(s) are subject to sanctions (See Violations and Sanctions).

- # **NOTE:** Vendors or its employees **may not** seek, verbally or in writing, full or partial payment or restitution from WIC participants/authorized representatives for refunds due to the Department, for food instruments rejected for payment by the banking contractor or the Department or if food instruments are damaged or never deposited.

### Compliance Investigations

A compliance buy is an investigation which involves an undercover (covert) on-site visit in which an individual poses as a WIC participant/authorized representative and purchases items in order to determine the Vendor's compliance or non-compliance with WIC program requirements.

Compliance investigation will be conducted to identify specific areas which indicate a need for change in the Vendor's business practice and a need for additional training to prevent program errors and/or abuse. Compliance investigations may be conducted on a random basis or on those who are suspected of violating Contract requirements, federal regulations, trafficking in food instruments for cash, selling ineligible foods or non-food items, overcharging and as a follow-up to determine previous violations have been corrected. The Vendor may be subject to sanctions for all program errors and/or abuse uncovered (See Violations and Sanctions).

## Inventory Audits

Inventory audits may be conducted and will include a comparison of the Vendor's invoices or other related documents against WIC redemption information. For example, comparison of the infant formula redemption information on the service bureau contractor's reports against the Vendor's invoices. The Vendor may be subject to sanctions for all program errors and/or abuse uncovered during the audit (See Violations and Sanctions).

The Vendor is responsible to maintain all documents and records which pertain to their participation in the Arizona WIC Program for a period of five (5) fiscal years after the last date of their Contract.

## Client Compliant Reports

Both participants/authorized representatives and Vendors have obligations and responsibilities to the Arizona WIC Program. Although Vendors train their cashiers on the WIC food instrument redemption procedures, the cashier may overlook the proper procedures. Cashier may become abusive when the participant/authorized representative insists on the purchase of non-authorized items or when trying to redeem their food instruments early. Just as Vendors are not expected to take abuse from WIC participants/authorized representatives or proxies, neither are WIC participants/authorized representatives expected to take abuse from Vendors or their employees. When a participant/authorized representative feels a Vendor mistreated them or has other complaints, the participant/authorized representative may file a complaint against a Vendor using the Arizona WIC Program Participant Reporting Card.

Examples of Vendor problems include, but not limited to:

1. A store employee gave the client a hard time;
2. The store was out of WIC approved foods;
3. The store sold the client expired infant formula;
4. The store did not let the client use coupons.

Other client complaints may be documented in-person or through the telephone contacts with clients by the Department or local agency by using the Arizona WIC Program Vendor/Client Contact/Training form (WIC-15).

In any event, the Department will conduct a follow-up visit for all complaints received by a WIC participant/authorized representative. However, the Department will not take action against a Vendor based upon verbal communication. All complaints by participants/authorized representatives must be documented in writing.

## Coordination with the Food Stamp Program

The Department has a cooperative agreement in effect with the Food Stamp Program. The Department provides the local (Phoenix) Food and Nutrition Service (FNS) Field Office with a list of authorized Vendors and receives Food Stamp Program redemption information at least annually (in January). The Department receives Food Stamp Program redemption information via STARS or from the Phoenix Field Office, as needed, as a component of the Vendor enrollment criteria or monitoring activity.

The Department provides the local Office of Inspector General with a list of authorized Vendors and selected redemption information and high risk reports.

The FNS provides the Department notice of Food Stamp Program disqualifications.

The Department provides FNS notice of WIC disqualification within fifteen (15) calendar days after the date of the Vendor's administrative appeal has expired or after all administrative appeals have been exhausted. Notice shall include, but not limited to, providing a copy of the Vendor's notice of administrative action which documents that the Vendor could be disqualified from the Food Stamp Program based on the WIC violations committed by the Vendor.

The Department provides FNS with notice of any Vendor who has been assessed a Civil Money Penalty in lieu of disqualification indicating the length of the disqualification period corresponding to the Vendor's violation.